

# **Time and Attendance Strategies**

Beyond Compliance and Payroll Accuracy

June 2011

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## Executive Summary

This report, based on data from more than 260 organizations, builds on Aberdeen's previous research by examining what differentiates Best-in-Class organizations in managing time and attendance. The report finds that nearly 60% of all organizations have automated timekeeping. However, integration with payroll, scheduling, and leave management emerges as a true driver of performance. Additionally, self-service access to timesheets improves employee engagement and accuracy. Lastly, having visibility into time data, utilizing business intelligence tools, and integrating with business data are keys to success. This study will prove the positive impact of these tools and capabilities on productivity, efficiency, and compliance.

### Best-in-Class Performance

Aberdeen used the following four performance criteria to distinguish Best-in-Class companies:

- 9% improvement in compliance scores (vs. 1% decline for Laggards)
- 0.5% error rate in payroll
- 0.5% error in time tracking
- 0.6% error rate in earned time / paid time accruals

### Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Automating timekeeping and leave management processes and integrating these systems with payroll
- Utilizing analytics and reporting tools to leverage time data to make better deployment decisions
- Empowering employees and managers to be self-sufficient through self service

### Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Gain senior executive buy-in for the importance of time and attendance strategy and tools to achieving business goals
- Provide the foundation for enabling operational managers to leverage time data to improve decision-making ability
- Continue to automate and integrate systems to increase accuracy, relieve HR and business unit managers of manual workflows

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations.

### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

[Take the Assessment](#)

Receive Your Free Scorecard

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## Chapter One: Benchmarking the Best-in-Class

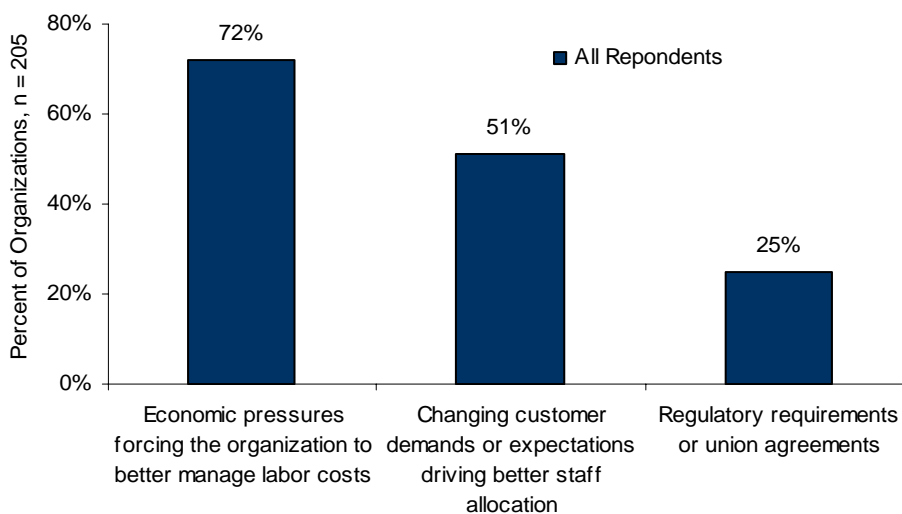
### Business Context

Analysis presented in this report is based on the data Aberdeen has collected since February 2011 as part of its annual study on workforce management. Similar to the approach used in the April 2011 report, *Workforce Scheduling 2011*, the methodology will analyze more than 260 organizations across four metrics to define the top 20% of aggregate performers and determine what differentiates their status. Given the strategic gains that can be gained through improving time and attendance and leave especially in the areas of payroll accuracy, compliance, engagement, and customer satisfaction, Aberdeen will analyze top performers and provide a roadmap to build Best-in-Class strategies that drive business results.

### Pressures Driving Workforce Management

As highlighted in the scheduling study, the economic landscape underlies the pressures driving organizations to focus on workforce management. Uncertainty is still forcing cost control through efficiencies and more optimized deployment. Another pressure is the need to meet changing customer expectations. This isn't surprising since top performers use time and attendance data in tandem with business performance, which enables decision makers to optimize staff deployment and improve business processes.

**Figure 1: Top Pressures Driving Workforce Management**



Respondents were asked to select top two.  
Source: Aberdeen Group, March 2011

### Fast Facts

- ✓ **Efficiency and cost control** continue to drive workforce management initiatives – cited by 72% of organizations as a top two pressure
- ✓ Through automation and integration with other systems, Best-in-Class organizations **improved compliance by 9%**

These findings are consistent with data from the August 2010 study, [The Future of Core HR](#), which found that the economy and the overall competitive landscape overwhelmingly topped the list of pressures driving overall investments in HR functions. Consistent with previous research themes, including what we heard from attendees at our March 2011 [HCM Executive Summit](#), lack of process and policy standardization across the enterprise, and the inability of business leaders to leverage HR / workforce data to drive better operational outcomes are the top barriers to efficiency and business alignment.

## The Maturity Class Framework

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For time and attendance, Aberdeen used four key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. The four metrics reflect an organization's ability to reduce payroll errors, minimize inaccuracies, and improve business outcomes:

- **Payroll errors:** In addition to the time and cost associated with redoing a paycheck, there is a risk associated with the increased burden on HR and reduced employee satisfaction. Over the past two years the burden on HR, as has the case been with duties in most other job descriptions, has increased substantially. Adding more manual workflows to the process due to payroll errors will impact HR's productivity and its strategic impact to the business. Moreover, payroll errors also impact employee productivity and satisfaction as they work to address them with HR / payroll staff. Therefore, it is critical that time and attendance data is accurate in order to ensure employees are paid what they deserve. This metrics is defined by the average percentage of paychecks that require redo every period.
- **Timesheet accuracy:** This is defined by the percent of time sheets that require modification on behalf of the manager or HR. When it comes to efficiency and the burden on the operational manager, modifying timesheets after creation to account for errors, addressing proven violations such as time theft or buddy-punching (not to mention consequent actions or reprimands), and working with HR on other related tasks, can be very time consuming. Accuracy is critical to maximize a manager's time for, and attention to, the core competencies of the business. It also improves HR's ability to focus on more strategic elements.
- **Paid time off accrual calculation and compliance:** These two metrics are essential to the Best-in-Class definition. As shown in Figure 1, the third top-ranked factor driving investments in workforce management efforts is compliance. Since leave management, especially as it relates to paid time off / earned time off accruals and other regulation mandates (such as FMLA in the US), affects compliance, Aberdeen decided to include these two indicators in its definition of the three maturity classes. Paid-time off accuracy is measured by the error rate in accruals, and compliance is measured by improvement in audit score over the previous period in which it was measured.

**Table 1: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class: Top 20%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 0.5% error rate in payroll</li> <li>▪ 0.5% error in time tracking</li> <li>▪ 0.6% error rate in earned time / paid time accruals</li> <li>▪ 9% improvement in compliance scores</li> </ul>
<b>Industry Average: Middle 50%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 1.6% error rate in payroll</li> <li>▪ 2.4% error in time tracking</li> <li>▪ 1.9% error rate in earned time / paid time accruals</li> <li>▪ 3% improvement in compliance scores</li> </ul>
<b>Laggard: Bottom 30%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 2.0% error rate in payroll</li> <li>▪ 2.1% error in time tracking</li> <li>▪ 2.0% error rate in earned time / paid time accruals</li> <li>▪ 1% <u>decline</u> in compliance scores</li> </ul>

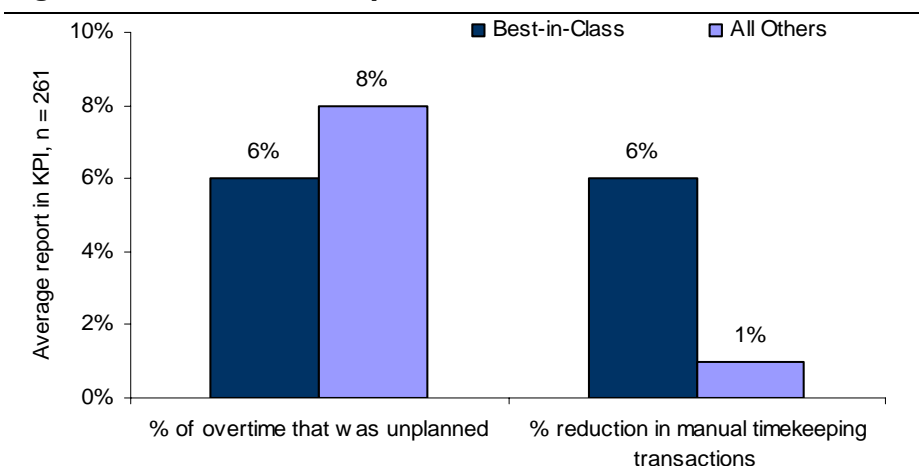
Source: Aberdeen Group, May 2011

### Other Metrics: Cost and Engagement

When used effectively with business performance data, time and attendance data can be used strategically to make better decisions that impact labor costs. Though not used to determine Best-in-Class performance, overtime cost analysis showed that capturing accurate time and attendance data does improve deployment decisions. Organizations that achieved top performance indicated that 6% of incurred overtime costs were unplanned versus 8% for all others. Another metric that respondents reported on was the change in manual transactions handled by HR as it related to time and attendances inquiries or cases. Best-in-Class organizations reported a 6% drop in this metric versus 1% for all others.

The last metric worth mentioning that correlates to timekeeping and leave management is engagement. Follow-up conversations with several organizations showed that they were faced with employee reports of unfair preferential treatment among managers in awarding certain employees overtime hours, certain shifts, or time off. And as a result, employee engagement has suffered. Aberdeen found that Best-in-Class organizations on average reported 70% engagement versus 39% for their counterparts. Aberdeen's July 2009 study, [\*Beyond Satisfaction: Engaging Employees to Retain Customers\*](#), showed that on a scale of 1 to 5, Best-in-Class organizations rated this engagement 4.54 in terms of how critical it is to the organization's ability to execute business strategy. In fact, 83% of Best-in-Class companies in that study directly attribute positive changes in revenue to improved engagement. As Chapter Two will show, key capabilities that impact this metric revolve around empowering employees to view timesheets real-time and having processes in place that enable them to escalate time and payroll issues for proper resolution.

**Figure 2: More Productivity and Less Cost**



Source: Aberdeen Group, May 2011

**The Best-in-Class PACE Model**

In response to the aforementioned pressures and internal challenges, Aberdeen found that Best-in-Class organizations are more likely to streamline processes and leverage data strategically to drive business performance. Key differentiators are:

- Automating timekeeping and leave management processes and integrating these systems with payroll
- Utilizing analytics and reporting tools to leverage time data to make better deployment decisions
- Empowering employees and managers to be self-sufficient through self service

**Table 2: The Best-in-Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Economic pressures forcing the organization to better manage labor and control costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use time and attendance data to align deployment to workload, business demand, census, etc.</li> <li>▪ Standardize the workforce management processes across the entire organization through automation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Central repository is maintained and updated with time and attendance data</li> <li>▪ Defined escalation process for payroll disputes due to time-tracking issues</li> <li>▪ Managers / supervisors understand the impact staff costs have on organization's profitability</li> <li>▪ Process in place for HR to review/approve time data before processing payroll</li> <li>▪ Senior executive buy-in for the importance of workforce management to business goals</li> <li>▪ Time and attendance system is integrated with scheduling system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Automated time and attendance system</li> <li>▪ Absence management software</li> <li>▪ Self-service access to hours worked, schedules and paid time off balances</li> <li>▪ Reporting tools or productivity dashboards that can combine operational data with attendance</li> <li>▪ Real-time alerts when a scheduled employee doesn't clock in on time</li> <li>▪ Real-time alerts when employees approach overtime or go beyond desired hours</li> <li>▪ Real-time alerts when an unscheduled employee clocks in or a scheduled employee doesn't clock in on time</li> </ul>

Source: Aberdeen Group, May 2011

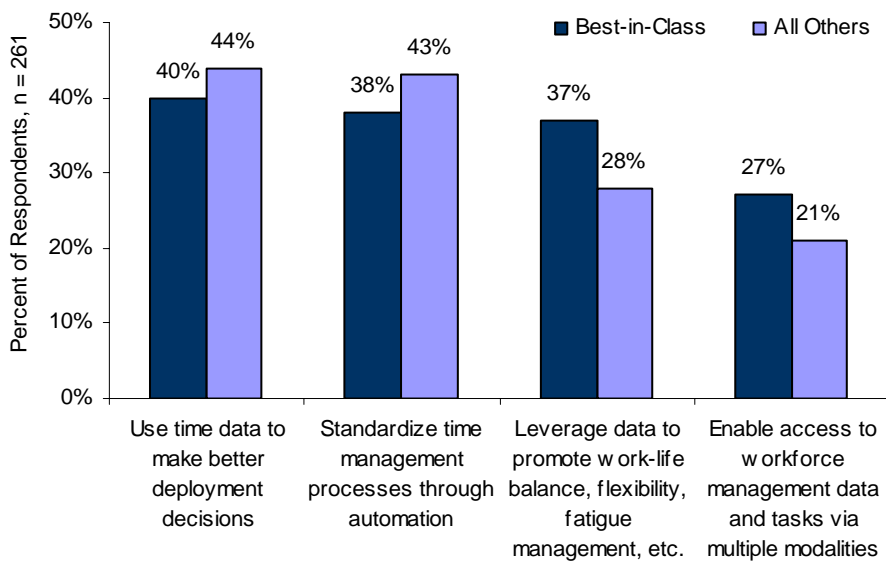
### Best-in-Class Strategies

The top two strategic actions pursued by the Best-in-Class are using time and attendance data to make better deployment decisions and improve efficiency followed by standardization of time management processes through automation. The same two actions, however, are also top strategies for organizations that didn't make the Best-in-Class cut. As Figure 2 shows differentiation now lies in the Best-in-Class ability to leverage this data and cater these tools to employees and managers who need real-time access via self-service, mobile devices, etc. This is also testament, as Chapter Two will show, that Best-in-Class organizations are relatively further along in terms of automation and taking advantage of tools that streamline visibility and empower stakeholders. Lastly, Best-in-Class organizations are 32% more likely to leverage workforce data to cater to employee needs by promoting work-life balance, fair flexibility, and, in some industries, managing fatigue due to hours worked. Not surprisingly, top performers are achieving nearly twice the engagement rates - 70% versus 39% for others.

"Our workforce management solution enables us to have the full view on adherence and waste in real time."

~ Manager, Large European Bank (South African Subsidiary)

**Figure 3: Top Strategic Actions**



Respondents were asked to select top two.  
Source: Aberdeen Group, May 2011

### Case Study – Mohawk Paper

Headquartered in Cohoes, NY, Mohawk Fine Papers Inc. (Mohawk) is the largest privately owned manufacturer of premium printing, writing, and digital papers in North America. With 800 employees, Mohawk provides innovative products and services to professional designers and commercial printers. The company also operates an on-line marketplace for designer stationery, posters, and prints: [feltandwireshop.com](http://feltandwireshop.com).

Although the company has been automating timekeeping since the 1990s, in 2005, an acquisition doubled employee headcount for Mohawk. This acquisition, along with the lack of integration between payroll and timekeeping, provided the company with an opportunity to streamline time and labor processes and reduce the burden on HR. Consequently, later in 2005, Mohawk replaced its legacy timekeeping system with a Windows-based application that provided consistency across all its facilities. Since the company already had a standalone automated system, retraining staff to the Windows-based version that integrated HR and payroll with time and attendance was easy. Mohawk also added time collection devices that were compatible with the new system. According to Paul Stamas, Vice President of IT, Mohawk, “The timing to examine our capabilities and upgrade our technology infrastructure was right. The acquisition opened a window of opportunity to streamline timekeeping and payroll while providing consistency across the organization.”

One of the reasons why Mohawk moved to the integrated system was to improve accuracy in time data and pay checks. The new capabilities enabled the company to reduce the two full-time resources for collecting time data and processing payroll to just one quarter of a resource. At the same time, error rate in payroll went from 10% to less than 1%. The administrative back office function was cut in half while the workforce doubled in size. Payrolls have been consolidated to three bi-weekly cycles from fourteen – exempt, non-exempt, and union.

Stamas concluded, “We can close the books and run payroll in adequate time. HR no longer calls up on the managers for verification after time data is submitted. And most importantly, we achieved our ultimate goal that is getting employees paid accurately.” These results improved employee satisfaction and allowed operational managers to focus on core business competencies.

Lastly, in 2010, Mohawk moved to an on-demand version of the system, which allowed the company to reduce overhead and shift some of its resources to align with its strategic goals.

## Chapter Two: Benchmarking Requirements for Success

The analysis presented in this chapter will prove that automation, integration with payroll, and leveraging analytics improve deployment and productivity. Aberdeen will also present the case for automating absence management and enabling self-service access.

### Case Study — Lipari Foods, Inc.

Marrying time and attendance to business performance data helps organizations optimize deployment and improve productivity. Take the case of Lipari Foods, Inc. (Lipari), a food distributor based outside of Detroit in Warren, Michigan. Founded in 1963, Lipari is a family owned and operated organization that generates \$400 US million in revenue annually, and employs over 600 employees across 11 states. In addition to distributing deli, bakery, sea food, and grocery products to retailers, the company has a packaging and light manufacturing facility and a cold storage facility.

Though the company had some automation when it came to timekeeping, visibility into labor data was a challenge particularly from the warehouse and the delivery aspects. Given the nature of the thin margins in the food industry, productivity and efficiency are crucial to growth and customer satisfaction. In 2007, Lipari implemented an integrated workforce management system that included HR, payroll and timekeeping. According to Brian Zilo, Director of HR at Lipari, “As the company grew, we needed to ensure consistency and efficiency. Having an integrated system not only helps us streamline workflows associated with time management and payroll processing, but it also enables us to have the data we need to improve business performance.”

On the warehouse side, selectors - people that go up and down the aisles overnight in the warehouse and pick orders to ensure the right material makes it on the trucks – are an essential part of the business that can improve accuracy, timeliness and ultimately customer satisfaction. To enhance this competency, in 2006 Lipari moved to a larger facility; then in late 2007 it invested in a voice-pick system, and later dumped the single jacks for double electric jacks. Zilo commented, “As we enhanced these processes and began to track hours against business impact, specifically case rate, we realized we can increase that number while minimizing overtime costs. The data in our timekeeping system helped us find some benchmarks and establish certain goals.” Lipari then devised an incentive compensation plan that set goals for selectors in terms of order accuracy and case rate - cases picked per man hour. These capabilities improved productivity from 65 cases picked per man hour to 120 and at the same time virtually eliminated all overtime costs.

*continued*

### Fast Facts

- ✓ **87% of Best-in-Class** organizations give employees access to timesheets, and 50% actually enable real-time self-service access to view them
- ✓ **Best-in-Class companies are 64% more likely** to regularly review the impact of time and attendance strategy on the business

**Case Study — Lipari Foods, Inc.**

Zilo added, “We were able to minimize overtime costs for our selectors. And I think they are happy about that. As case rate improved, these workers can go home earlier when they meet their goals without hurting their paycheck.” On the driver side, a similar incentive program was implemented that tracked cases delivered and miles driven en-route. GPS-enabled vehicle tracking helped streamline timekeeping. Previously, Lipari used a voice mail box where drivers submitted their time entries. The honor system required an administrative staffer to spend 10 hours per week collecting and manually recording these times. Integrating the transportation management application with the timekeeping system enabled Lipari to remotely capture driver punches and hours of service logs, which improves compliance and eliminates error risk associated with logging in voicemail recordings.

In addition to these gains, the new time and labor management capabilities at Lipari allowed it to reduce headcount by 10+ employees due to increased productivity even as the company grew. Employee satisfaction also improved. Zilo concluded, “We gained improvements in productivity equivalent to 8% to 10% of total payroll costs. Our associates like being paid based on performance because those who perform have seen increases in their hourly pay, without having to work any additional hours.”

**Competitive Assessment**

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: The Competitive Framework**

	<b>Best-in-Class</b>	<b>Average</b>	<b>Laggards</b>
<b>Process</b>	Defined escalation process for payroll disputes due to time-tracking issues		
	77%	52%	40%
	Process in place for HR to review/approve time data before submitting to payroll for processing		
	71%	57%	45%

	Best-in-Class	Average	Laggards
<b>Organization</b>	Senior executive buy-in for the importance of workforce management to achieving business goals		
	68%	55%	49%
	Employees are required to request overtime in advance		
	65%	46%	44%
<b>Knowledge</b>	Central repository is updated with time and attendance data		
	78%	59%	46%
	Managers are notified of potential overtime before it occurs		
	60%	48%	45%
	Time data is integrated with scheduling system / process		
	60%	36%	22%
<b>Technology</b>	Enablers currently in use to support time and attendance:		
	<ul style="list-style-type: none"> <li>▪ 66% Automated timekeeping system</li> <li>▪ 60% Leave management software</li> <li>▪ 56% Timekeeping is integrated with payroll</li> <li>▪ 44% Reporting / Analytics tools</li> </ul>	<ul style="list-style-type: none"> <li>▪ 66% Automated timekeeping system</li> <li>▪ 49% Leave management software</li> <li>▪ 49% Timekeeping is integrated with payroll</li> <li>▪ 25% Reporting / Analytics tools</li> </ul>	<ul style="list-style-type: none"> <li>▪ 59% Automated timekeeping system</li> <li>▪ 49% Leave management software</li> <li>▪ 39% Timekeeping is integrated with payroll</li> <li>▪ 18% Reporting / Analytics tools</li> </ul>
	Regularly review the impact of time and attendance on key business metrics		
	59%	37%	36%
	<b>Performance</b>		

Source: Aberdeen Group, May 2011

## Capabilities and Enablers

Analysis of the Competitive Framework and follow-up interviews with end users revealed that automation plays a crucial role in streamlining time and attendance and leave management workflows. However, true differentiation in this area lies in an organization's ability to leverage attendance data to optimize deployment, improve efficiency, and boost productivity.

## Process

Best-in-Class organizations are nearly twice as likely as Laggard organizations to have in place a clearly defined process to escalate payroll issues due to timekeeping errors (77% vs. 40%). If there is one area where a company can absolutely not afford any mistakes, it's in payroll. Ensuring that employees understand that their voice will be hurt if/when such issues arise is crucial. Secondly, since for an employee a paycheck is relatively more significant than perhaps it is for a manager or HR, where responsibility, duties and attention is focused on several workers, an individual will catch these errors sooner. And having a clear process to escalate their issue makes it easier to track and resolve it. To this effect, 87% of Best-in-Class

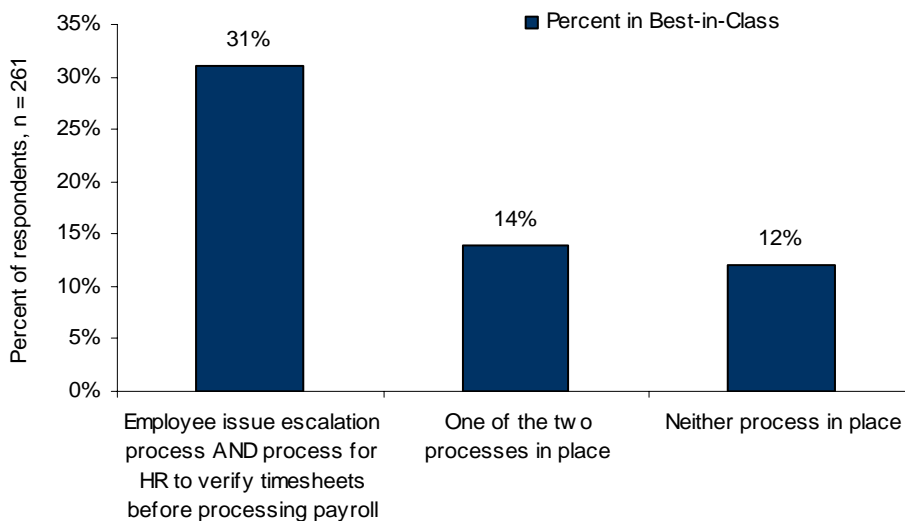
organizations give employees access to timesheets, and 50% actually enable real-time self-service access to view them (at kiosks, PCs, or mobile devices) – compared to just 32% of others.

Even with automation, having a ‘buffer’ or a ‘checks and balances’ mechanism is vital. Simply integrating or interfacing timekeeping with payroll can yield to inaccuracies, time theft (employees punching in before actually commencing work, or, in case of manual paper-based timesheets, employees coming in a few minutes later, taking longer lunch breaks, or leaving a few minutes early), or overlooked incidents that can put an organization at risk. Best-in-Class organizations are 58% more likely than Laggards to have a process in place for HR to review/approve time data before processing payroll. This enables third-party validation when it comes to excess overtime, tracking accruals (in case of a lack of leave / absence management system), and ensuring managers are not violating labor standards as they relate to breaks, consecutive hours worked, etc. Establishing these process standards ensures that any investment in technology will improve its returns by creating the intended efficiencies. Organizations that have these two processes in place are nearly two and a half times as likely to achieve Best-in-Class status as those that have neither. Figure 4 shows the value of having both aforementioned processes in place versus either or neither.

"The key for any time and attendance solution to add value comes from its ability to provide the data required to manage the business, even if not in a showy format."

~ Layth Hussain, General Manager, Belkin

**Figure 4: Processes Key to Best-in-Class**



Source: Aberdeen Group, May 2011

### **Organization and Performance Management**

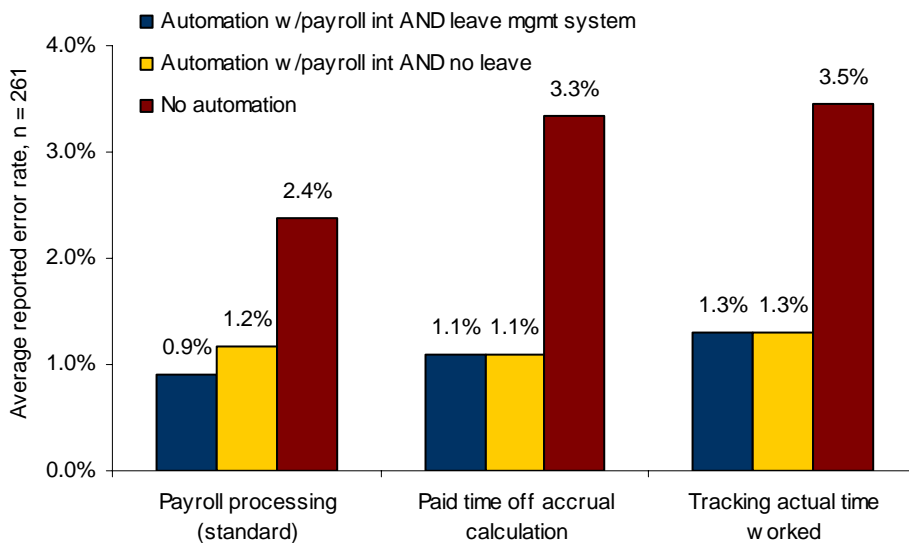
Best-in-Class organizations are 39% more likely than Laggards to obtain senior executive buy-in on the importance of workforce management efforts to business performance (68% vs. 49%). They are also 77% more likely than Laggards to ensure business and HR work together to establish the goals of a workforce management strategy (55% vs. 31%). Especially as organizations are focused on efficiency and cost reduction – as highlighted in

Figure 1, the economy is the top pressure driving workforce management efforts – these capabilities are essential to building the business case for automation and process improvements. Identifying pain points and defining metrics that correspond to these challenges help champions and influencers gradually build this business case for the rest of the stakeholders. Whether it is excess overtime, going over budget, complaints about unfair treatment, or suspicions of buddy-punching or time-theft, tracking is essential. Even when this business case has been established and technology has been implemented, ensuring regular monitoring of timekeeping strategy on business metrics is vital. Best-in-Class organizations are 64% more likely to regularly review the impact of time and attendance strategy on the business.

### Technology

In the analysis of technology use for time and attendance, there were three main themes. The first theme is automation to improve accuracy and reduce payroll errors by focusing on integration with the payroll system and absence / leave management. Aberdeen found that automating and integrating timekeeping, payroll, and leave management pays off in terms of improving accuracy and minimizing errors.

**Figure 5: Automation and Integration Impact Accuracy**



Source: Aberdeen Group, May 2011

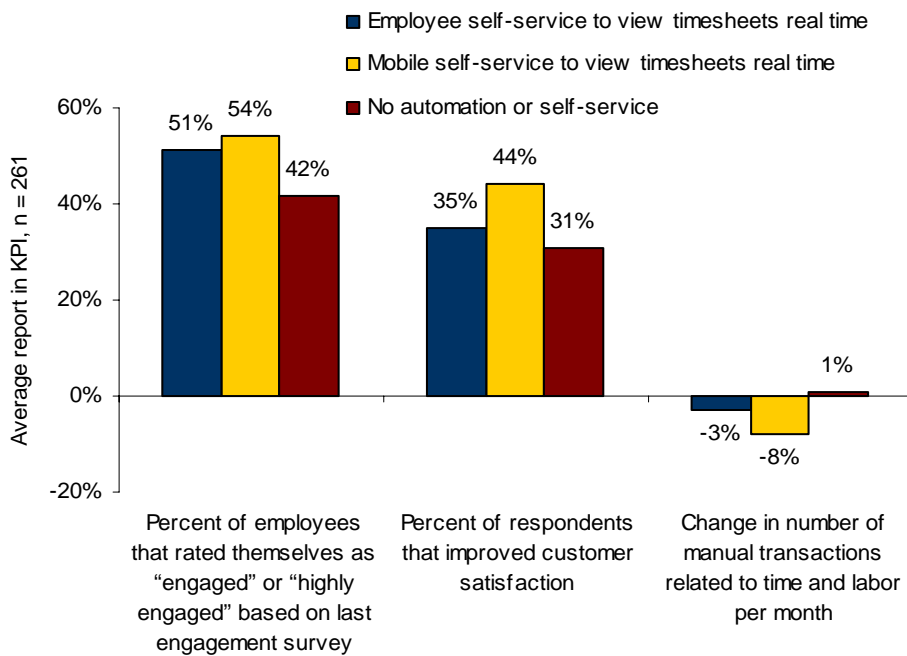
The second key theme was the impact of automated timekeeping systems to enable employee real-time self-service access to timesheets. This positively impacts the manual or transactional burden on the HR organization and managers while also improving employee engagement. Higher engagement and a lesser tactical burden on stakeholders allow organizations to focus on core business competencies. As Figure 6 shows, organizations that allow self-service are 31% more likely to report increased customer satisfaction,

and those that compliment with mobile access (see sidebar for definition of mobile devices) are 42% more likely to do so. These findings are consistent with Aberdeen’s scheduling study and the 2010 core HR benchmark report which proved self-service is a clear differentiator of performance.

**Mobile Device Definition**

In the workforce management survey, Aberdeen’s definition of mobile devices includes smartphones (cell phones with advanced computing capabilities), Web and SMS enabled phones, netbooks, tablets, handheld email devices, and ruggedized laptops for field use (traditional laptops are not included in this definition). In the sample, Aberdeen identified 53 respondents that indicated employees had mobile access to timesheets.

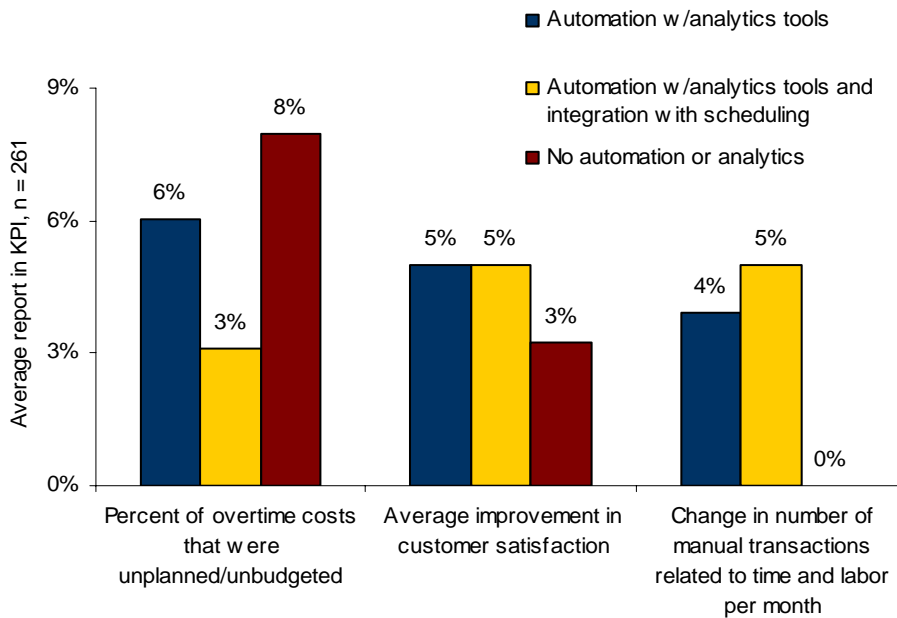
**Figure 6: Self-Service Impacts Stakeholder Satisfaction**



Source: Aberdeen Group, May 2011

And the last area where automation differentiates performance is in its strategic impact on business outcomes. As shown in Figure 3, the top strategic action driving time and labor management efforts is the need to use historical data to make better deployment decisions. The success of this strategy is founded on two pillars. First an organization must be able to report on this data in context of business performance data. Secondly, the analysis must be used to make scheduling decisions. As Figure 7 shows organizations that utilize analytics and dashboards and integrate time and attendance data into its scheduling system are achieving huge gains in business metrics including customer satisfaction and reduction in labor costs. Furthermore, when managers are able to access reports and perform analysis related to their business, the burden of transactions on HR is reduced.

**Figure 7: Analytics and Integration with Scheduling**



Source: Aberdeen Group, May 2011

In short, though all Best-in-Class, Industry Average, and Laggard organizations are within range in terms of adopting automated timekeeping systems (59% to 66% adoption), differentiation lies in the Best-in-Class ability to enhance the technology by integrating payroll and leave management systems, by allowing self-service access including mobile devices, and using dashboards to analyze the impact of time and labor strategies on business outcomes.

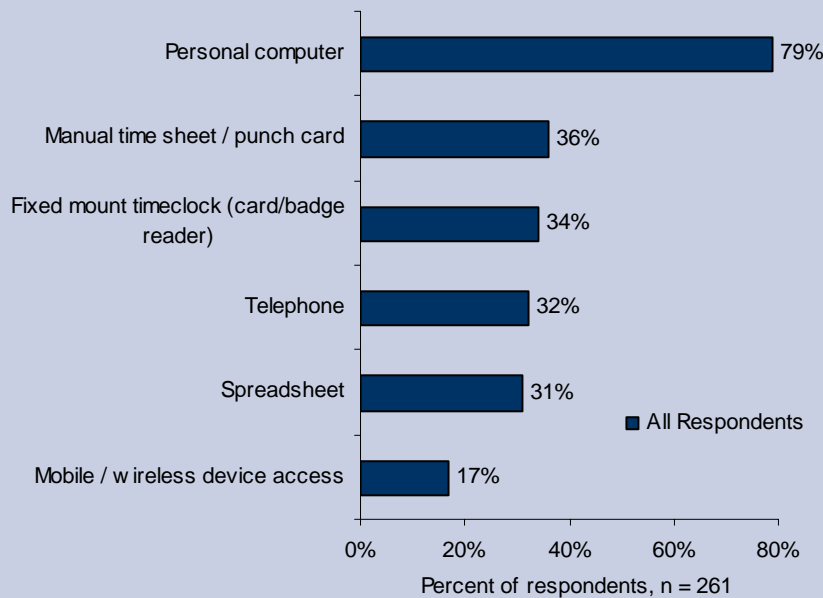
### Knowledge Management

In addition to technology integration, Best-in-Class organizations are 70% more likely than Laggards (78% vs. 46%) to have a central repository which is updated with time and attendance data. Whether the timekeeping system is manual / spreadsheet-based or automated – which makes having this capability much easier – it is essential to have this data maintained and updated. Since organizations indicated that two of the top strategies are to leverage workforce data to make better deployment decisions, and to make this data available via various channels (i.e. mobile), it would be crucial to ensure the that business has access to intelligent data to act upon. This will improve agility and the competitiveness of the company.

### Technology Insight — Input Devices

In terms of hardware - devices to input punches (clock-ins and clock-outs), Aberdeen found that among the top modalities (Figure 8) used to collect time data, that there aren't key differentiation between Best-in-Class and their counterparts. However, from the figure we can quickly glean that although many organizations use multiple modalities, at least a third of respondents still use manual processes to collect this data, specifically telephone, paper, and spreadsheets. Follow-up conversations with survey respondents showed that companies that do rely on those either have field workers that don't have access to the system, off-site workers in satellite facilities that either grew organically or through acquisitions that still relied on manual processes, or field workers as we showed in the Lipari case study. What the figure doesn't show, however, is that in the area of mobility Best-in-Class organizations 67% more likely than their counterparts to use mobile access to punch in via a wireless device (25% vs. 15%). This is another indication of the evolution of time and labor management solutions that cater to the worker / manager constituency; one which validates a key strategy of Best-in-Class organizations continuing to allow employees access to these systems through various modalities.

**Figure 8: Data Collection Devices**



Source: Aberdeen Group, May 2011

## Chapter Three: Required Actions

When it comes to improving payroll accuracy and the impact on business outcomes, whether a company is trying to move its performance from Laggard to Industry Average, or Industry Average to Best-in-Class, the following provides a roadmap to spur these gains.

### For All Organizations

Organizations that currently rely on manual processes for timekeeping must consider automation. Though automation in and of itself may not yield the maximum potential performance gains, having the right tools and capabilities to support it will earn organizations differentiated performance. Overall, about 6 in 10 organizations currently automate time and attendance but a few of them integrate with payroll. As shown in Chapter Two, integrating timekeeping systems with payroll, scheduling, and adding absence / leave management tools pays off in the form of accuracy, better compliance, and stakeholder satisfaction. In addition, less than a third of organizations (32%) indicated that managers had formal training for managers on using workforce management systems, reporting capabilities and dashboards. Business unit managers are a key stakeholder in time and labor management processes. Therefore, organizations must ensure that they can generate reports quickly and easily to provide headcounts, overtime reports, absenteeism data, and payroll. This enables managers to determine if employees are deployed optimally and treated fairly. Training managers on how to use the system and how to verify time reports not only improves productivity at the unit level, but also relieves HR personnel from the tasks associated with addressing payroll errors and reprocessing checks.

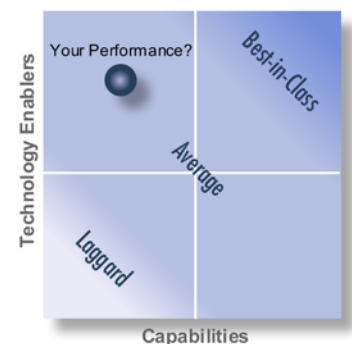
### Laggard Steps to Success

- **Gain senior leadership buy-in.** Only 49% of Laggards have gained senior leadership buy-in on the importance of time and attendance in impacting business goals – compared to 68% of the Best-in-Class. Aberdeen's [2011 HR Executive's Agenda](#) study showed that top barrier hindering investments in human capital management efforts is lack of executive buy-in, which was cited by to thirds of all organizations in the sample. This is especially true in smaller organizations. In order to build the business case for future investments, executive buy-in will be crucial. These organizations must evaluate existing processes and identify key pain points. This will help identify the challenges where technology investments or process improvements will return the most value.
- **Define escalation process for payroll disputes due to time-tracking issues.** Best-in-Class organizations are nearly twice as likely as Laggard organizations (77% versus 40%) to have this mechanism in place. This capability should go beyond just payroll issues to also include time worked and leave requests. The goal is to encourage employees to

#### Fast Facts

- ✓ **77% of Best-in-Class** organizations have a defined escalation process for payroll disputes due to time-tracking issues
- ✓ **71% of Best-in-Class** organizations have HR review/approve time data before processing payroll

### How Does Your Performance Compare to the Best-in-Class?



- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

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come forward due to perceptions of favoritism in terms of time-off grants, giving certain shifts to specific individuals, or awarding overtime. Not surprisingly, organizations that have this capability in place reported 33% higher engagement than those that don't – 53% versus 40%.

- **Allow HR to review/approve time data before processing payroll.** This was most surprising as less than half of Laggard organizations (45%) indicated that the organization has a formal approval workflow that includes a process for HR to review/approve time data before submitting to payroll for processing – compared to 71% of the Best-in-Class. Not only is this step necessary from an accuracy standpoint, but it also ensures adherence to company policy especially as it relates to overtime, fatigue, vacation, etc.

## Industry Average Steps to Success

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- **Define metrics and monitor effectiveness.** Even before automation, organizations must define metrics to determine the challenges in timekeeping. Understanding where the organization stands on payroll errors due to inaccurate timesheets, sick days, leave, employee satisfaction, the burden of timekeeping on business managers, and the amount of time and effort HR invests in the process is vital. Fifty-five percent (55%) of the Best-in-Class involve the business when identify these points and defining corresponding metrics compared to just 30% of Industry Average organizations. Best-in-Class organizations are nearly 60% more likely than the Industry Average (59% versus 37%) to regularly monitor the effectiveness of time and labor efforts. Not only does this enable fine-tuning of the process in terms of alignment to business strategy, but also helps the organization build the business case for further improvements in technology and other policy enhancements.
- **Integrate time and labor data with business data.** Aligning workforce to business objectives is the Holy Grail for any organization seeking to execute its strategy. Business outcome (revenue, productivity, shrinkage, output, etc.) is a lagging indicator of doing the right things and ensuring the right employee is in the right place at the right time without sacrificing cost and compliance is a result of ensuring employees and managers are focused on the organizational core competencies. Only 30% of Industry Average organizations have this capability in place compared to 46% of the Best-in-Class. Analytical tools that can be afforded via automation can play a huge role in ensuring that actual hours worked are improving the cost revenue paradigm.
- **Integrate time and attendance and scheduling.** This step validates our findings from the scheduling report, where this was a recommendation for the Best-in-Class. Though analysis focused on the same workforce management survey, Aberdeen's use of different metrics to define the Best-in-Class resulted in this recommendation for the Industry Average. Only 36% of Industry Average organizations integrate time data with scheduling processes compared to 60% of the Best-in-Class organizations. Not only does this make it easier on the

manager in terms of visibility and efficiency, it also helps employees. This integration allows employees to access their relevant data in one place. Productivity will increase as a result of spending less time on tracking their information in separate areas. As mentioned in the scheduling report, organizations that currently integrated the two have reduced errors in time tracking and earned-time accruals to 1.6% and 1.1% respectively compared to 2.4% and 2.2% for those that don't.

## Best-in-Class Steps to Success

- **Integrate time and attendance with payroll.** While 58% of Best-in-Class organizations indicated that the ability to integrate with the organization's existing systems as the top criterion taken into consideration when evaluating workforce management systems, only 56% of Best-in-Class organizations currently do so. This is another surprising finding that shows that few organizations are capitalizing on their technology investments in the area of workforce management. Integrating time management systems with payroll reduces the workload and eliminates the errors associated with manually calculating overtime pay and time off accruals, as well as inputting the data in the payroll system. Not surprisingly, organizations that do so are experiencing more accurate attendance tracking, accruals and payroll processing (Figure 5 – Chapter Two).
- **Continue to automate.** Sixty percent (60%) of the Best-in-Class indicated their organization has absence management software (paid-time off, earned time, compliance mandated leave, etc.) in place. With the advent of technology and the affordability of these tools, recognizing return on investment is the form of accuracy, better compliance and alleviated burdens on HR can almost be immediate. In addition to the gains in accuracy highlighted in Figure 5, 63% organizations that have a leave management system in place improved compliance versus 53% of those that don't. They are also 17% more likely to indicate reduction in manual HR transactions (48% versus 41%).

"The system we have meets our expectations because it is an integrated, all inclusive package for workforce management."

~ Executive, Middle East based trading company

### Aberdeen Insights — Summary

In addition to maintaining surgical accuracy and ensuring compliance with labor laws and collective agreements, organizations are tasked to ensure employees are paid on time and treated fairly and business managers aren't overwhelmed by the time collection process. Aberdeen's research found that automation is the key differentiator in achieving these goals. However, true success lies in leveraging self-service tools, analytics, and integration with other core systems, specifically scheduling, payroll and leave management. Ultimately, the goal is to drive business performance, where alleviating tactical burdens on stakeholders and leveraging valuable data are the main ingredients of the recipe for success.

## Appendix A: Research Methodology

Between February and May of 2011, Aberdeen examined workforce management strategies, experiences, and future plans of more than 260 organizations worldwide to identify best practices in streamlining tactical workflows for scheduling and time and attendance functions.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on strategies, experiences, and results.

Responding enterprises included the following:

- **Job title / function:** The research sample included respondents with the following job titles: senior management (C-level, president, chairman) (12%); general manager / vice president (VP, SVP, EVP) (13%); director (20%); manager (33%); others (22%). In terms of functions in their respective organization, the plurality of respondents (24%) was in human resources (including payroll, recruiting, talent management, training and organizational development) followed by operations (17%), IT (12%) and corporate management (10%).
- **Industry:** The research sample included respondents from a variety of industries. Telecom / hi-tech / IT (including software, hardware, and services) represented 21% of the sample, followed by manufacturing, (13%), public sector - including government, non-profit, and education (13%), and financial services / insurance (10%).
- **Geography:** The majority of respondents (60%) were from North America. Remaining respondents were from Europe (19%), Asia-Pacific (14%), Middle East / Africa (5%), and South America (2%).
- **Company size:** Twenty-eight percent (28%) of respondents were from large enterprises (annual revenues above US\$1 billion); 36% were from mid-sized enterprises (annual revenues between \$50 million and \$1 billion); 36% were from small businesses (annual revenues less than \$50 million).
- **Headcount:** Twenty-eight percent (28%) of respondents had over 5,000 employees; 25% had between 1,000 and 5,000 employees; 17% had between 250 and 1,000 employees; 30% of respondents came from companies with less than 250 employees.

### Study Focus

Responding HCM executives and business unit managers completed an online survey that included questions designed to determine the following:

- √ What is driving organizations to focus on workforce management initiatives?
- √ What are best practices to support employee scheduling?
- √ What are best practices to streamline timekeeping?
- √ Does automating workforce management processes drive Best-in-Class performance?

The study aimed to provide a framework by which readers could assess their processes and help provide a roadmap to improve their own workforce management strategies with actionable insight based on peer performance.

**Table 4: The PACE Framework Key**

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, May 2011

**Table 5: The Competitive Framework Key**

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, May 2011

**Table 6: The Relationship Between PACE and the Competitive Framework**

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, May 2011

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*Building the Case for HR Shared Services\*](#); April 2011
- [\*Workforce Scheduling 2011\*](#); March 2011
- [\*2011 HR Executive's Agenda\*](#); December 2010
- [\*A Guide for Implementing Best-in-Class Time and Attendance Strategies\*](#); November 2010
- [\*The Future of Core HR Functions\*](#); August 2010
- [\*Workforce Optimization\*](#); March 2010
- [\*Workforce Scheduling\*](#); May 2009

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

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For more than two decades, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.5 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

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